

**MARKET CONDUCT EXAMINATION REPORT**  
**AS OF DECEMBER 31, 2002**

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**Sentry Insurance A Mutual Company**  
**1800 North Point Drive**  
**Stevens Point, Wisconsin 54481**

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**NAIC Group Code 0169**  
**NAIC Company Code 24988**

**EXAMINATION PERFORMED BY**  
**INDEPENDENT CONTRACTORS**  
**FOR**  
**COLORADO DEPARTMENT OF REGULATORY AGENCIES**  
**DIVISION OF INSURANCE**

February 9, 2005

The Honorable Doug Dean  
Commissioner of Insurance  
State of Colorado  
1560 Broadway, Suite 850  
Denver, Colorado 80202

Commissioner Dean:

In accordance with Sections 10-1-203 and 10-3-1106, C.R.S., an examination of selected underwriting, auditing and unit statistical card practices of the workers' compensation insurance business of Sentry Insurance A Mutual Company, hereinafter referred to as the "Company", has been conducted. The Company's records were examined at its home office located at 1800 North Point Drive, Stevens Point, Wisconsin 54481.

The examination covered the period from January 1, 2002 to December 31, 2002.

The following market conduct examiners respectfully submit the results of this examination:

Lucille E. Whittle, CIE

K. C. Lang, AIE

**MARKET CONDUCT  
EXAMINATION REPORT  
OF  
SENTRY INSURANCE A MUTUAL COMPANY**

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**COMPANY PROFILE**

The Company is the surviving company of the merger of Hardware Dealers Mutual Fire Insurance Company which was incorporated in Wisconsin in 1903 and Hardware Casualty Company which was incorporated in Wisconsin in 1913. The merger was effective on September 30, 1970 and the name of the surviving company was changed to Sentry Insurance A Mutual Company on July 1, 1971.

The Company is authorized to conduct business in all states, the District of Columbia, Puerto Rico and Canada. It has been authorized to write in Colorado since June 22, 1926. The Company conducts its business from its home office in Stevens Point, Wisconsin and from four (4) regional offices located in Arizona, Iowa, Massachusetts and Virginia. Business for the Company is written primarily through a sales force consisting of direct writers who are employees of the Company.

The Company is the parent company, or the ultimate parent company, of eleven (11) insurance companies and eleven (11) non-insurance entities. These companies participate in various cost-sharing arrangements and reinsurance agreements. All personnel are considered employees of the Company and provide support services under various inter-company servicing agreements.

The Company's Board of Directors consists of nine (9) independent Directors and the Company's Chief Executive Officer and President who serves as Chairman of the Board.

Based on figures supplied by the Colorado Division of Insurance's Industry Statistical Report, the Company reported direct written premium in Colorado for the calendar year 2002 of \$4,230,000, which represents a .47% market share for workers' compensation insurance.

**PURPOSE AND SCOPE OF EXAMINATION**

This market conduct report was prepared by independent examiners contracting with the Colorado Division of Insurance for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Colorado. This examination is in accordance with Colorado Insurance Law Section 10-1-204, C.R.S., which empowers the Commissioner to supplement his resources to conduct market conduct examinations. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of this examination was to determine the Company's compliance with Colorado insurance laws and with generally accepted operating principles related to workers' compensation. Examination information contained in this report should serve only those purposes. The conclusions and findings of this examination report are public record. The preceding statements are not intended to limit or restrict the distribution of this report.

This examination was governed by, and performed in accordance with, procedures developed by the National Association of Insurance Commissioners, the Colorado Division of Insurance and the Insurance Regulatory Examiners Society. In reviewing material for this report, the examiners relied primarily on records and materials maintained by the Company. The examination period covered one year of the Company's operations, from January 1, 2002 to December 31, 2002.

File sampling was based on a review of audited policies, with accompanying claims, and claims for policies with large and small deductibles. Samples were systematically selected by using ACL<sup>TM</sup> software and computer data files provided by the Company. Sample sizes were chosen based on procedures developed by the National Association of Insurance Commissioners. Upon review of each sampled policy and claim, any concerns or discrepancies were noted on comment forms and these comment forms were delivered to the Company for review. Once the Company was advised of a finding contained in a comment form, the Company had the opportunity to respond. For each finding the Company was requested to agree or disagree and justify the Company's noted action. At the conclusion of the examination, the Company was provided a summary of the findings for each sample. The report of the examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report as references to any practices, procedures, or files manifesting no errors were omitted.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero (\$0) tolerance level was applied in order to identify possible system errors. Additionally a zero (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's established policies, procedures, rules and/or guidelines. When sampling was involved, a minimum error tolerance level of five percent (5%) was established to determine reportable exceptions. However, if an issue appeared to be systemic, or when due to the sampling process it was not feasible to establish an exception percentage, a minimum error tolerance percentage was not utilized. Also, if more than one sample was reviewed in a particular area of the examination (e.g. timeliness of claims payment), and if one or more of the samples yielded an exception rate of five percent (5%) or more, the results of any other samples with exceptions percentages less than five percent (5%) were also included.

This report contains information regarding exceptions to Colorado insurance laws. The examination included review of the following three (3) Company operations:

1. Company Operations/Management
2. Underwriting and Rating
3. Unit Statistical Card Reporting

All unacceptable or non-complying practices may not have been discovered during the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Commissioner. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance of such practices. This report should not be construed to endorse or discredit any insurance company or insurance product. Statutory cites and regulation references are as of the period under examination unless otherwise noted. Examination report recommendations not referencing specific insurance laws and/or regulations may be presented to encourage improvement in Company practices and operations and ensure consumer protection. Examination findings may result in administrative action by the Division of Insurance.

### **EXAMINERS' METHODOLOGY**

The examiners reviewed the Company's Workers' Compensation underwriting and unit statistical card reporting practices to determine compliance with Colorado insurance law as outlined in Exhibit 1.

#### **Exhibit 1**

<b>Law</b>	<b>Subject</b>
Section 10-3-1103	Unfair methods of competition and unfair or deceptive acts or practices prohibited.
Section 10-4-1104	Unfair methods of competition and unfair or deceptive acts or practices.
Section 10-4-110	Notice of intent prior to nonrenewal of certain policies of insurance.
Section 10-4-110.5	Notice of intent prior to unilateral increase in premium or decrease in coverage previously provided of certain policies of insurance.
Section 10-4-113	Exemptions.
Section 10-4-401	Purpose – applicability.
Section 10-4-413	Records required to be maintained.
Section 10-4-416	Prohibiting changes in rates or coverages.
Section 10-4-421	Notice of rate increases and decreases.
Regulation 1-1-7	Market Conduct Record Retention
Regulation 1-1-8	Penalties And Timelines Concerning Division Inquiries And Document Requests.
Regulation 5-1-11	Risk Modification Plans
Regulation 5-3-1	Workers' Compensation Risk Management Regulation
Regulation 5-3-2	Workers' Compensation Insurance Data Reporting Regulation
Regulation 5-3-3	Concerning Workers' Compensation Deductible Policies in Excess of \$5,000
Regulation 5-3-4	Concerning Standards for Not-At-Fault Motor Vehicle Accidents Under Workers' Compensation, Loss Limitation in Calculating Experience Modifications and Distribution of Losses in Excess of The Loss Limitation
Regulation 5-3-5	Workers' Compensation Deductible Reimbursement

### **Company Operations/Management**

The examiners reviewed Company implementation and quality controls, record retention, and timely cooperation with the examination process.

### **Contract Forms and Endorsements**

Forms and endorsements used by the Company in writing Workers' Compensation policies containing Colorado exposures are those filed with the Colorado Division of Insurance by the National Council on Compensation Insurance (NCCI) and no review of these forms was made.

**Audited Policies**

For the period under examination, the examiners systematically selected the following underwriting samples to determine compliance with underwriting and rating requirements:

<b>Review Lists</b>	<b>Population</b>	<b>Sample Size</b>	<b>Percentage to Population</b>
Audited Policies with Experience Modifiers	235	50	21%
Audited Policies without Experience Modifiers	517	50	10%

**Underwriting and Rating**

The examiners reviewed the rate and rule filings, statistical justifications, and methodology submitted to the Colorado Division of Insurance for the period under examination. This information was then compared against samples of audited policies with experience modifiers and audited policies without experience modifiers to determine compliance with NCCI loss costs, filed loss costs factors, audited payroll information, experience modifiers, schedule rating, officer and sole proprietor payrolls, and Colorado cost containment and designated medical provider requirements.

**Unit Statistical Card Reporting**

For the period under examination, the examiners systematically selected the following samples of claims from audited policies with experience modifiers and from policies with large and small deductibles to determine compliance with NCCI unit statistical card reporting requirements:

<b>Review Lists</b>	<b>Population</b>	<b>Sample Size</b>	<b>Percentage to Population</b>
Claims from Audited Policies with Experience Modifiers	172	118	69%
Additional Claims from Policies with Large and Small Deductibles	294	202	69%



**EXAMINATION REPORT SUMMARY**

The examination resulted in a total of four (4) issues arising from the Company's apparent failure to comply with Colorado insurance laws that govern all property and casualty insurers operating in the State of Colorado. These issues involved the following Company operations:

**Company Operations/Management**

No compliance issues were found in the area of Company operations/management.

**Underwriting and Rating**

In the area of underwriting and rating, four (4) compliance issues are addressed in this report. These issues arise from Colorado statutory and regulatory requirements that must be followed when writing workers' compensation policies containing Colorado exposures. In regard to these five (5) underwriting and rating practices, it is recommended that the Company review its underwriting and rating procedures and make the necessary changes to ensure future compliance with applicable Colorado insurance laws.

The four (4) compliance issues addressed in this phase are as follows:

- Failure of the Company to attach a form to policies which shows the potential savings available when an insured obtains cost containment certification by the Colorado Workers' Compensation Cost Containment Board and to require the insured to indicate its awareness of this program on a form and to retain this form in the insured's underwriting file.
- Failure of the Company to require each insured to indicate on a form their awareness of the premium differential available when an insured selects a designated medical provider and to retain this form in the insured's underwriting file.
- Failure of the Company, in some cases, to use experience modification factors promulgated by NCCI.
- Failure of the Company to file its unique Schedule Rating Plan.

**Unit Statistical Card Reporting**

No issues were found in the area of unit statistical card reporting.

A copy of the Company's response, if applicable, can be obtained by contacting the Company or the Colorado Division of Insurance.

Results of any previous Market Conduct Examinations are available on the Colorado Division of Insurance's website at [www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance) or by contacting the Colorado Division of Insurance.

**MARKET CONDUCT EXAMINATION REPORT**

**PERTINENT FACTUAL FINDINGS**

**SENTRY INSURANCE A MUTUAL COMPANY**

**UNDERWRITING AND RATING**  
**FINDINGS**

**Issue A: Failure of the Company to attach a form to policies which shows the potential savings available when an insured obtains cost containment certification by the Colorado Workers' Compensation Cost Containment Board and to require the insured to indicate its awareness of this program on a form and to retain this form in the insured's underwriting file.**

Colorado Regulation 5-1-11, Risk Modification Plans, promulgated pursuant to the authority of Section 10-1-109, 10-4-401, 10-4-403, 10-4-404, and 10-4-408, C.R.S., states, in part:

(III) RULES...

(D) Workers' Compensation Cost Containment Disclosures

All workers' compensation insurers, including the Colorado Compensation Insurance Authority, shall disclose the availability of cost containment certification by the Colorado Workers' Compensation Cost Containment Board and the potential premium savings on the face of the insurance policy or in a separate disclosure form attached as an addendum to the policy. Such disclosure applies regardless of whether or not a risk is experience or schedule rated. Insurers shall require that the insured business entity indicate, on a form developed by the insurer, which states that the business entity is aware of the premium dividend if the business entity's risk management program is certified by the Colorado Cost Containment Board. This form shall be made part of the insured business entity's underwriting file.

The following charts illustrate the significance of errors versus the populations and samples examined:

**WORKERS' COMPENSATION POLICIES WITH EXPERIENCE MODIFIERS  
WRITTEN JANUARY 1, 2002 TO DECEMBER 31, 2002**

Population	Sample Size	Number of Exceptions	Percentage to Sample
235	50	50	100%

An examination of fifty (50) policies, representing 21% of all workers' compensation audited policies with experience modifiers which contained Colorado exposures, written by the Company during the period January 1, 2002 to December 31, 2002, showed fifty (50) exceptions (or 100% of the sample) where no form showing the potential savings available when an insured obtains cost containment certification by the Colorado Workers' Compensation Cost Containment Board was attached to the policy. Also, no form on which the insured had indicated awareness of this program was found in any of these insureds' underwriting file. These potential savings are usually expressed as percentages.

**WORKERS' COMPENSATION POLICIES WITHOUT EXPERIENCE MODIFIERS  
WRITTEN JANUARY 1, 2002 TO DECEMBER 31, 2002**

Population	Sample Size	Number of Exceptions	Percentage to Sample
517	50	50	100%

An examination of fifty (50) policies, representing 10% of all workers' compensation audited policies without experience modifiers which contained Colorado exposures, written by the Company during the period January 1, 2002 to December 31, 2002, showed fifty (50) exceptions (or 100% of the sample) where no form showing the potential savings available when an insured obtains cost containment certification by the Colorado Workers' Compensation Cost Containment Board was attached to the policy. Also, no form on which the insured had indicated awareness of this program was found in any of these insureds' underwriting files. These potential savings are usually expressed as percentages.

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**Recommendation #1**

Within thirty (30) days, the Company should be required to provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 5-1-11. In the event the Company is unable to provide such documentation, it should be required to provide written procedures to the Colorado Division of Insurance which will ensure that it will attach a form which shows the potential savings available for certification by the Colorado Workers' Compensation Cost Containment Board to each insured's policy and that it will retain a copy of the form on which the insured has indicated awareness of this program in each of these insureds' underwriting files in compliance with Colorado insurance laws.

**Issue B: Failure of the Company to require each insured to indicate on a form their awareness of the premium differential available when an insured selects a designated medical provider and to retain this form in the insured's underwriting file.**

Colorado Regulation 5-1-11, Risk Modification Plans, promulgated pursuant to the authority of Section 10-1-109, 10-4-401, 10-4-403, 10-4-404, and 10-4-408, C.R.S., states, in part:

(III) RULES...

(D)...On an annual basis, all workers' compensation insurers, including the Colorado Compensation Insurance Authority, shall disclose the premium differential on the face of the insurance policy or in a separate disclosure form attached as an addendum to the policy when the policyholder has selected a designated medical provider. Such disclosure applies regardless of whether a risk is experience rated or schedule rated.

*Insurers shall require that the insured business entity indicate, on a form developed by the insurer, which states that the business entity is aware of the premium differential for selecting a designated medical provider. This form shall be made part of the insured business entity's underwriting file. (Emphases added.)*

The following charts illustrate the significance of errors versus the populations and samples examined:

**WORKERS' COMPENSATION POLICIES WITH EXPERIENCE MODIFIERS  
WRITTEN JANUARY 1, 2002 TO DECEMBER 31, 2002**

Population	Sample Size	Number of Exceptions	Percentage to Sample
235	50	50	100%

An examination of fifty (50) policies, representing 21% of all workers' compensation audited policies with experience modifiers which contained Colorado exposures, written by the Company during the period January 1, 2002 to December 31, 2002, showed fifty (50) exceptions (or 100% of the sample) in which no form on which the insured had indicated awareness of the premium differential given if it selected a designated medical provider was found in the insured's underwriting file. This premium differential is generally expressed as a percentage.

**WORKERS' COMPENSATION POLICIES WITHOUT EXPERIENCE MODIFIERS –  
WRITTEN JANUARY 1, 2002 TO DECEMBER 31, 2002**

Population	Sample Size	Number of Exceptions	Percentage to Sample
517	50	50	100%

An examination of fifty (50) policies, representing 10% of all workers' compensation audited policies without experience modifiers which contained Colorado exposures, written by the Company during the period January 1, 2002 to December 31, 2002, showed fifty (50) exceptions (or 100% of the sample) in which no form on which the insured had indicated awareness of the premium differential given if it selected a designated medical provider was found in the insured's underwriting file. This premium differential is generally expressed as a percentage.

**Recommendation #2**

Within thirty (30) days, the Company should be required to provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 5-1-11. In the event the Company is unable to provide such documentation, it should be required to provide documentation that it has revised its procedures to ensure that it will require every insured business entity to indicate on a form developed by the insurer, its awareness of the premium differential available if it selects a designated medical provider, and to retain this form in the insured's underwriting file in compliance with Colorado insurance laws.

**Issue C: Failure of the Company, in some cases, to use experience modification factors promulgated by NCCI.**

Section 10-4-413, C.R.S., Records required to be maintained, states, in part:

(1) Every insurer, rating organization, or advisory organization and every group, association, or other organization of insurers which engages in joint underwriting or joint reinsurance shall maintain reasonable records, of the type and kind reasonably adapted to its method of operation, of its experience or the experience of its members and of the data, statistics, or information collected or used by it in connection with the rates, rating plans, rating systems, underwriting rules, policy or bond forms, surveys or inspections made or used by it, so that such records will be available at all reasonable times to enable the commissioner to determine whether such organization, insurer, group, or association and, in the case of an insurer or rating organization, every rate, rating plan, and rating system made or used by it complies with the provisions of this part 4 applicable to it. The maintenance of such records in the office of a licensed rating organization of which an insurer is a member or subscriber will be sufficient compliance with this section for any insurer maintaining membership or subscribership in such organization to the extent that the insurer uses the rates, rating plans, rating systems, or underwriting rules of such organization. Such records shall be maintained in an office within this state or shall be made available for examination or inspection by the commissioner at any time, upon reasonable notice.

NCCI's Experience Rating Plan Manual states in part:

Part One – Page 1

**I.A.6. Issuance of Modification**

The experience modification for experience rated risks shall be calculated and issued by the appropriate rating organization listed in the Appendix.

The following chart illustrates the significance of errors versus the population and sample examined:

**WORKERS' COMPENSATION POLICIES WITH EXPERIENCE MODIFIERS  
WRITTEN JANUARY 1, 2002 TO DECEMBER 31, 2002**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
235	50	4	8%

An examination of fifty (50) policies, representing 21% of all workers' compensation audited policies with experience modifiers which contained Colorado exposures, written by the Company during the period January 1, 2002 to December 31, 2002, showed four (4) exceptions (or 8% of the sample) in which the experience modification factor used was not the one promulgated by NCCI.



**Recommendation #3**

Within thirty (30) days, the Company should be required to provide documentation demonstrating why it should not be considered in violation of Section 10-4-413, C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide written procedures to the Colorado Division of Insurance which will ensure that all workers' compensation policies with Colorado exposures will contain the experience modification factors promulgated by NCCI in compliance with Colorado insurance laws.

**Issue D: Failure of the Company to file its unique Schedule Rating Plan.**

Section 10-4-401(3)(b), C.R.S., Purpose – applicability, provides:

Type II kinds of insurance, regulated by open competition between insurers, including...workers' compensation and employer's liability incidental thereto and written in connection therewith for rates filed by insurers, and all other kinds of insurance subject to this part 4 and not specified in paragraph (a) of this subsection (3), including the expense and profit components of workers' compensation insurance, which shall be subject to all the provisions of this part 4 except for sections 10-4-405 and 10-4-406. Concurrent with the effective date of new rates, type II insurers shall file rating data, as provided in section 10-4-403, with the commissioner;...

Regulation 5-1-10, Rate and Rule Submissions Property and Casualty Insurance, promulgated pursuant to the authority of Sections 10-1-109, C.R.S., states:

Section 5. Rules

C. Rule Filing General Requirements

2. Every property and casualty company, including those writing workers' compensation and title insurance, is required by this regulation to provide a list of minimum premiums, schedule of rates, rating plans, dividend plans, individual risk modification plans, deductible plans, rating classifications, territories, rating rules, rate manuals and every modification of any of the foregoing which it proposes to use. Such filings must state the proposed effective date thereof, and indicate the character and extent of the coverage contemplated.

Regulation 5-1-11, Risk Modification Plans, promulgated under the authority of Section 10-1-109, C.R.S., states in part:

III. RULES

A. Definitions...

13. "Rate modification plan" (commonly called Schedule Rating Plan or Individual Risk Premium Modification Plan) means a rating plan or procedure which provides a listing of various risk characteristics or conditions and a range of modification factors which may be applied for these characteristics or conditions to the manual rate of a particular insurance risk...

B. Rate Modification Plans

Rate modification plans, justified according to the standards herein, are permitted. However, the Commissioner has determined that the use of unjustified rate modification plans is not reasonable, is not objective and is unfairly discriminatory. Therefore, the use of unjustified rate modification plans in rating of commercial property and casualty insurance risks located in Colorado is prohibited...

The following elements shall be considered in determining whether or not a rate modification plan, or its use, is justified:

1. Rate modification plans must be used to acknowledge variance in risk characteristics and not merely to gain competitive advantage.
2. Rate modification plans must be based only on rating characteristics not already reflected in the manual rates. The plans must clearly indicate the objective criteria to be used...
4. Individual underwriting files must contain the specific criteria and document the particular circumstances of the risk that support each debit or credit. This documentation must exist in the individually rated risk or underwriting file to enable the commissioner to verify compliance with this regulation. Documentation may include, but is not limited to, inspection reports, photographs, agent observations and findings, insured's formal safety plans, premises evaluations, and narrative reports covering other aspects of the risk. For the purpose of workers' compensation insurance, documentation must include a copy of the employer's Colorado Cost Containment Certificate if a premium dividend is allowed. Misclassification of a risk will be considered a modification without justification.
5. Any rate modification plan designed to be applied simultaneously to property, liability, or vehicle coverage shall contain reasonable factors that give appropriate recognition to the distinct exposures involved in such coverages.
6. Once an insurer has filed a rate modification plan, its use is mandatory. Insurers may use judgment in selecting the amount of credit or debit stated within a range of credits or debits. However, such credits or debits must be applied uniformly in a nondiscriminatory manner for all eligible classes of risks eligible under a rate modification plan...
8. Once a rate modification plan has been applied to a risk and a credit or debit established, no change in the established credit or debit can be made without appropriate justification and documentation. If such justification and documentation becomes available during the policy period, the established credit or debit cannot be changed until the anniversary date of the insurance policy...
10. Any rate modification plan must provide that when a risk is rated below average (debited), an insured or applicant, upon request, will be advised by the insurer of the factors which resulted in the adverse rating so that the insured or applicant will be fairly apprised of any corrective action that might be appropriate with respect to the insurance risk.

The Schedule Rating Plan used by the Company is substantially different from the one filed by NCCI, whose Plan the Company filed to use on July 14, 1988. The Plans differ as follows:

- NCCI's Plan does not include the use of number of years in business and management's years in business under Employees (or any other category) as does the Company's Plan;

- NCCI's Plan does not include the number of prior insurance carriers under Management Cooperation (or any other category) as does the Company's Plan;
- NCCI's Plan does not include Workers' Compensation Modification Factor under Classification Peculiarities (or any other category) as does the Company's Plan. In fact, NCCI's Plan states that the premium may not be modified to reflect characteristics of the risk that are already reflected in its experience;
- NCCI's Plan does not include building age under Premises (or any other category) as does the Company's Plan;
- NCCI's Plan does not include the years of profitable in Management Safety (or any other category) as does the Company's Plan.

The following charts illustrate the significance of errors versus the populations and samples examined:

**WORKERS' COMPENSATION POLICIES WITH EXPERIENCE MODIFIERS  
WRITTEN JANUARY 1, 2002 TO DECEMBER 31, 2002**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
235	50	24	48%

An examination of fifty (50) policies, representing 21% of all workers' compensation audited policies with experience modifiers which contained Colorado exposures, written by the Company during the period January 1, 2002 to December 31, 2002, showed twenty-four (24) exceptions (or 48% of the sample) in which the Company used a Schedule Rating Plan which differed from the Plan filed by NCCI.

**WORKERS' COMPENSATION POLICIES WITHOUT EXPERIENCE MODIFIERS –  
WRITTEN JANUARY 1, 2002 TO DECEMBER 31, 2002**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
517	50	1	2%

An examination of fifty (50) policies, representing 10% of all workers' compensation audited policies without experience modifiers which contained Colorado exposures, written by the Company during the period January 1, 2002 to December 31, 2002, showed one (1) exception (or 2% of the sample) in which the Company used a Schedule Rating Plan which differed from the Plan filed by NCCI.

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**Recommendation #4**

Within thirty (30) days, the Company should be required to provide documentation demonstrating why it should not be considered in violation of Section 10-4-401, C.R.S and Colorado Regulations 5-1-10 and 5-1-11. In the event the Company is unable to provide such documentation, it should be required to file, with the required justification, its unique Schedule Rating Plan in compliance with Colorado insurance laws.

**SUMMARY OF RECOMMENDATIONS LOCATOR**  
**EXAMINATION REPORT ON**

**SENTRY INSURANCE A MUTUAL COMPANY**

	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>PAGE #</b>
<b>A</b>	Failure of the Company to attach a form to policies which shows the potential savings available when an insured obtains cost containment certification by the Colorado Workers' Compensation Cost Containment Board and to require the insured to indicate its awareness of this program on a form and to retain this form in the insured's underwriting file.	1	13
<b>B</b>	Failure of the Company to require each insured to indicate on a form their awareness of the premium differential available when an insured selects a designated medical provider and to retain this form in the insured's underwriting file.	2	15
<b>C</b>	Failure of the Company, in some cases, to use experience modification factors promulgated by NCCI.	3	17
<b>D</b>	Failure of the Company to file its unique Schedule Rating Plan.	4	20

Independent Market Conduct Examiners  
LUCILLE E. WHITTLE, CIE  
&  
K. C. LANG, AIE  
participated in this examination and in the preparation of this report.